

KARMA CO-OPERATIVE BOARD OF DIRECTORS

Minutes of the meeting held on Monday, May 26, 2008, 7:00 pm – 9:30 pm
In the home of Charles Danzker

Directors present: Rachel Birenbaum, Deborah Cherry, Charles Danzker, Deborah Finestone, Arthur Jacobs, Margaret Knittl, Harry Koster, Ahdri Mandiela

Regrets: Donald Altman

Absent: Orla Hegarty

Staff Present: Justin McNabb, G.M.

Members present: James Wilkinson, Kathy Taffler and Doug Rylett, John Biggs

Minutes recorded by: Rachel Birenbaum

1. restoration of directors and officers liability insurance

- Deborah C. requested that the minutes reflect that Graeme misrepresented the state of our insurance to the finance committee
- It costs \$450/year
- Takes three weeks for plan to become operative
- A question was raised about how to prevent the plan from being cancelled by someone other than the board president. The following was suggested: have a discussion with Lily, insurance representative, to ensure that policy cannot be cancelled without written approval of board president; also ensure that mailings are addressed to president
- Insurance has to be renewed; signoff should be by treasurer

- Margaret moved to accept the present insurance package
- Ahdri seconded
- Discussion:
 - GM noted that there was something unclear about it in the by-laws; Margaret said she would follow up
 - Art asked when policy comes up – June 1
 - Finance committee should follow up with Patrick Burke
 - Art asked about coverage: GM replied \$1 million

- Deborah F. abstained (she was late coming to discussion)
- Motion passed
- Margaret signed the form

2. Permit Margaret

- Historic search for permit was incomplete; Margaret was able to confirm by examining historic records that we had appropriate zoning
- Agent is supposed to finish reviewing documents by Friday; Margaret will return to office on Mon. if the permit hasn't been confirmed by then

3. Report on results of tendering process James

- date is incorrect: 2008 on p. 1
- increase from \$130k (as of June 7, 2007)-190k has to do with electrical work which wasn't originally factored in - \$40k

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- wiring is in poor condition
- as part of addressing wiring and construction boundaries, it is necessary to take down most of ceiling
- cooler also added to costs
- James
 - Base bid (\$190k) includes that which was approved by board; optional items were not necessarily approved but were deemed necessary, including insulation, rewiring, new ceiling, new light fixtures, repaired floor
 - Estimated duration of Wallans' potential contract is tentative
 - Bid reduction – scope remains same but some of details were reviewed; Wallans could trim \$30,000; total budget price dropped by about \$5000 and two lowest bidders levelled out (within \$20,000 of each other)
 - Price of two lowest bids is deemed reasonable
 - \$5000 is allowance for storage
 - \$15,000 for shelving is generous
 - Total \$240k does not include GST nor unrealized gross profit due to estimated reduced sales (\$40k, approx.)
 - Reduced budget options – work left out can be left for a future project, i.e. bathroom, double door, reorientation of coolers
 - Think of it as a long-term budget with most done in year 1; roof and exterior repairs, were never part of the original plan
- Architects Kathy and Doug
 - Have spent a lot of time examining all possibilities – about 5 meetings just planning, in addition to technical meetings
 - Feel very satisfied with the plan
 - Members believe it's a well-worked plan
 - Contractors thoroughly examined plans; two lower bidders are considered serious bidders
 - Insulation – much debate about what is the most appropriate method. Water is what causes the damage for our store. One method is to insulate exterior, but it can be damaged, it can crack, it encroaches on neighbours, and it's \$18k more. Insulating interior involves removing space to avoid convection current (architects offered to provide additional research). Outside stucco is smooth so water falls off.
 - Suspended ceiling has to be removed – has aesthetic benefits, acoustic benefits, saves money
 - Architects had personal requests for new floor
 - Lighting – industrial fluorescent
 - Concern that Genpro was slightly low
 - Next stage: interview Genpro, see who site supervisor will be
 - Interview process is to make clear to contractors that we're experienced, serious about getting the job done
 - Genpro seemed aggressive which could be good (eager) or bad (extras – i.e. things left off consultants' drawings, electrical inspectors, when contractors ask for things that should be included in contract)
 - James and Charles experienced and educated in dealing with contractors
 - Contract is between owner and contractor; Architects certify payment but don't have authority to supervise contractors

- Contractors can drag job out
- Contractors come highly recommended, despite warnings
- Art asked whether base bid includes mould remediation (as per Pinchin recommendations); James confirmed it is
- When temporary wall goes up and ceiling removed, store will likely be closed
- Margaret inquired about penalty clause (\$500/day), i.e. to prevent contractors from taking off during the summer; Wall-Tech said they wouldn't abide by it unless we awarded an equivalent bonus for finishing early
- Genpro has provided schedule for who will be on site
- James pointed out that it's better to work with contractor than against them; James will meet with them weekly, ensure that they abide by schedule
- Even if we have a penalty clause, contractor can do work in a shoddy way
- Each of the contractors are accustomed to working in commercial settings
- Price has increased because of phasing; schedule would also be shortened
- Justin has made a plan for how to address phasing, relocation of shelves to temporary walls
- Harry asked whether architects have worked with Genpro and Wallans: they have worked with neither (some of their preferred contractors are busy, related, or residential). They were referred to these contractors from a commercial project they did. Jim Booths of Wallans was understanding; John Dawson of Genpro was fairly aggressive which could be good or bad; hard to read. Next step is to meet actual site supervisor and ensure that there are no mistakes in the plans. 'foggy' preference is Jim Booth of Wallans for less aggravation, very thorough.
- Margaret asked about cost reduction, i.e. kitchen and bathroom – architects advised that health department requires it and we already have to access the drains; but bids are not structured to have parts removed
- Charles said double doors and finishing of members' room could be dropped, but warned that we shouldn't go for the bare minimum otherwise it won't be worthwhile for long-term viability of coop
- Finance committee cannot give firm guidance given the increase in estimate and too many unknowns re: cost of arriving at union contract, POS
- Phased approach over a number of years; for this year, repair walls, replace cooler which means produce has to be stored with dairy as it is now, and move it later; this would be the minimum amount of work, at \$90k and fix the roof; would require increasing capacity of cooling unit and would add costs to do electrical work piecemeal
- Bids expire in 30 days
- Ripping out and replacing one cooler means we will need replacement cooling which adds costs
- Options:
 - i. Do nothing (not really an option at all due to mould)
 - ii. Status quo as planned
 - iii. Work in modified budget – James can work with architect to modify plans to reduce project costs by \$20k to \$170: wood doors (\$10), cooler (\$3), [washrooms (\$6)], members' room

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| <ul style="list-style-type: none">• Charles moved that the building committee rework the plan to remove peripheral items from the proposed project that do not impact the organization and functioning of the store and |
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reduce the construction budget to \$170k, and the building committee (via James) will report back with selection of contractor and price for the board's consideration on June 2

- Ahdri seconded
- Art abstained
- Motion passed

Subsequent to the meeting, the board was informed it was mistaken in believing that Graeme Hussey cancelled the directors' liability insurance. As per an email from Justin on May 30:

I spoke with our account manager at the Co-operators this morning & asked for specific details about the cancellation of the Directors Liability Insurance two years ago.

She clarified that it had not, in fact, been canceled because Karma has never had this insurance through the Co-operators.

Rather, she had strongly & repeatedly recommended the purchase of this insurance, provided the application & information package, and received no response.